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SUBJECT: MICROSOFT TARGETS TURKEY

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This message was coordinated with Embassy Ankara.

1. (U) Summary: In his third trip to Turkey in a little over a year, Microsoft Chairman Bill Gates met in Istanbul with senior Turkish government and business leaders and announced a range of new initiatives aimed at increasing internet penetration in Turkey. These included a new Turkey web portal (in cooperation with Turkey's leading media group, Dogan Holding) and a "My First Computer" campaign in partnership with Intel and Turk Telecom. The extensively publicized January 28-30 visit included a dinner with Prime Minister Erdogan and a town-hall meeting with 2500 students. In his public comments, Gates praised Turkey's progress in combatting pirated software. While not announcing any specific investment plans, he highlighted the fact that Istanbul serves as Microsoft's regional headquarters for 79 countries in the Middle East and Africa, and predicted that its footprint here will continue to grow in the years ahead. End Summary.

2. (SBU) In addition to its Turkey-centered events, Microsoft had initially planned to take advantage of Gates' presence to organize a summit of business leaders from throughout the Middle East and Africa. Following the outbreak of avian influenza in Eastern Turkey, it put those plans on hold, and instead targeted local business leaders and students. In addition to his meeting with Prime Minister Erdogan and Transport and Communications Minister Yildirim, Gates met with Microsoft's partners here (including notably Dogan Holding), and spoke to students (a town hall of 2500 students from a range of schools gathered at an urban campus in Istanbul), journalists, and Turkish business leaders.

3. (SBU) While there was no announcement regarding the planned "Techno-city," which Prime Minister Erdogan announced last year and which Microsoft has indicated in general terms that it will support, Gates did announce a range of new initiatives, including a "My First Computer" project, in cooperation with Intel and Turk Telecom. Noting that Turkey lags behind other developed countries with an internet penetration rate of 16 percent (an estimated 10 million people using 750,000 computers), he said the project targets to reach 80 percent of Turkish households through the new PC, which will be introduced this spring and will cost around 300 USD. Gates said this project will build on Microsoft's work in partnership with Turkey's Ministry of Education, the United Nations Development Program (UNDP), and local NGO's, which has succeeded in bringing internet access to public spaces in most Turkish communities.

4. (SBU) Gates also met with Dogan Holding Chairman Aydin Dogan to announce that the two companies will work together to launch a local search engine to challenge Google's dominance in the Turkey. The portal will also provide internet telephone services (VOIP), and will utilize Microsoft's technical expertise and Dogan's experience in the local market.

5. (SBU) Speaking to the press, Gates praised Turkey's progress in reducing the level of pirated software, and noted Microsoft's own efforts in this regard, in cooperation with other IT partners in the local Business Software Alliance (BSA). He underlined the potential Turkey offers with its young and dynamic population, and highlighted Microsoft's decision to use Istanbul as a base for its regional operations in the Middle East and Africa. While disclaiming any specific investment plans, he predicted the company's footprint will grow as its activities in the region continue to expand.

6. (SBU) Comment: While his presence attracted a handful of protestors from fringe parties, Gates was enthusiastically welcomed by most Turks, and his visit won wide coverage. (The fact that Dogan Holding dominates local print and broadcast media didn't hurt.) Even Istanbul's normally tough press corps appeared overawed, lobbying mainly softballs in Gates' extended press conference. While Techno-city is not on the immediate horizon, Gates made clear that Turkey figures in Microsoft's future plans. End Comment.

JONES